

June 20, 1997

**Federal Crude Oil Valuation Proposed Rulemaking
Comparison of Proposed Rule to Supplementary Rule**

January 24, 1997

Proposed Rule

Supplementary Proposed Rule

206.102(a)(1) Lessee may use gross proceeds paid under an arm's-length contract **UNLESS:**

206.102(a)(1) Lessee may use gross proceeds paid under an arm's-length contract **UNLESS:**

(a)(2) - the sales contract does not reflect the total consideration.

(a)(2) - No change.

(a)(3) - the value under the contract does not reflect a reasonable value due to misconduct or a breach of duty to market to the mutual benefit.

(a)(3) - No change.

(a)(4) - oil is disposed of under an exchange agreement or is subject to a crude oil call.

(a)(4)(i) - oil is disposed of under an exchange agreement except as provided in (a)(6).

(a)(4)(ii) - an overall balance is maintained between the buyer and seller.

(a)(4)(iii) - exercise of non-competitive crude oil call.

(a)(5) - gross proceeds include payments to buy down the purchase price.

(a)(5) - No change.

(a)(6) - the lessee (or its affiliate) purchased oil in the U.S. in the last 2 years.

(a)(6)(i) - If the lessee exchanges arm's-length and resells arm's-length then elect (a) or (c)(2).

(a)(6)(ii) - If lessee transfers oil to an affiliate before exchange, use (c)(2).

(a)(6)(iii) - Use same election for all oil subject to (a)(6)(i).

THEN

206.102(c)(2)(i) - NYMEX less location and quality differentials for production from leases outside California and Alaska or

206.102(c)(2)(ii) - Alaska North Slope spot prices less location and quality differentials for production from leases in California and Alaska.